

**STRATFORD  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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**STRATFORD COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September, 2007 Election)**

Tricia Rose	President	2008
Eric McGlynn		2008
Cheryl Lindmark		2007
Lee Gripp		2009
Nicole McFarland		2007

**(After September, 2007 Election)**

Nicole McFarland	President	2009
Eric McGlynn		2008
Julie Patterson		2009
Lee Gripp		2009
Tricia Rose		2008

**School Officials**

Sarah Binder	Superintendent
Linda Swedlund	District Secretary/ Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To The Board of Education of  
Stratford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stratford Community School District, Stratford, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

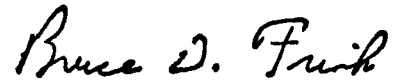
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stratford Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2009 on our consideration of Stratford Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stratford Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 19, 2009

## **STRATFORD COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

Stratford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$1,887,931 in fiscal year 2007 to \$2,031,946 in fiscal year 2008 (8% increase), while General Fund expenditures increased from \$1,903,417 in fiscal year 2007 to \$1,951,841 in fiscal year 2008 (a 3% increase).
- General Fund local tax revenues increased as well as revenues from state sources. The increase in expenditures was due primarily to an increase in instructional costs, primarily salaries and benefits. The General Fund balance increased by over \$80,000 (13% increase).
- The District's Day Care Fund continues to receive contributions which have helped keep the fund in a positive financial position.
- The District refinanced its outstanding bonds resulting in a savings of over \$9,000 to the property taxpayers of the district.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Stratford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Stratford Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Stratford Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

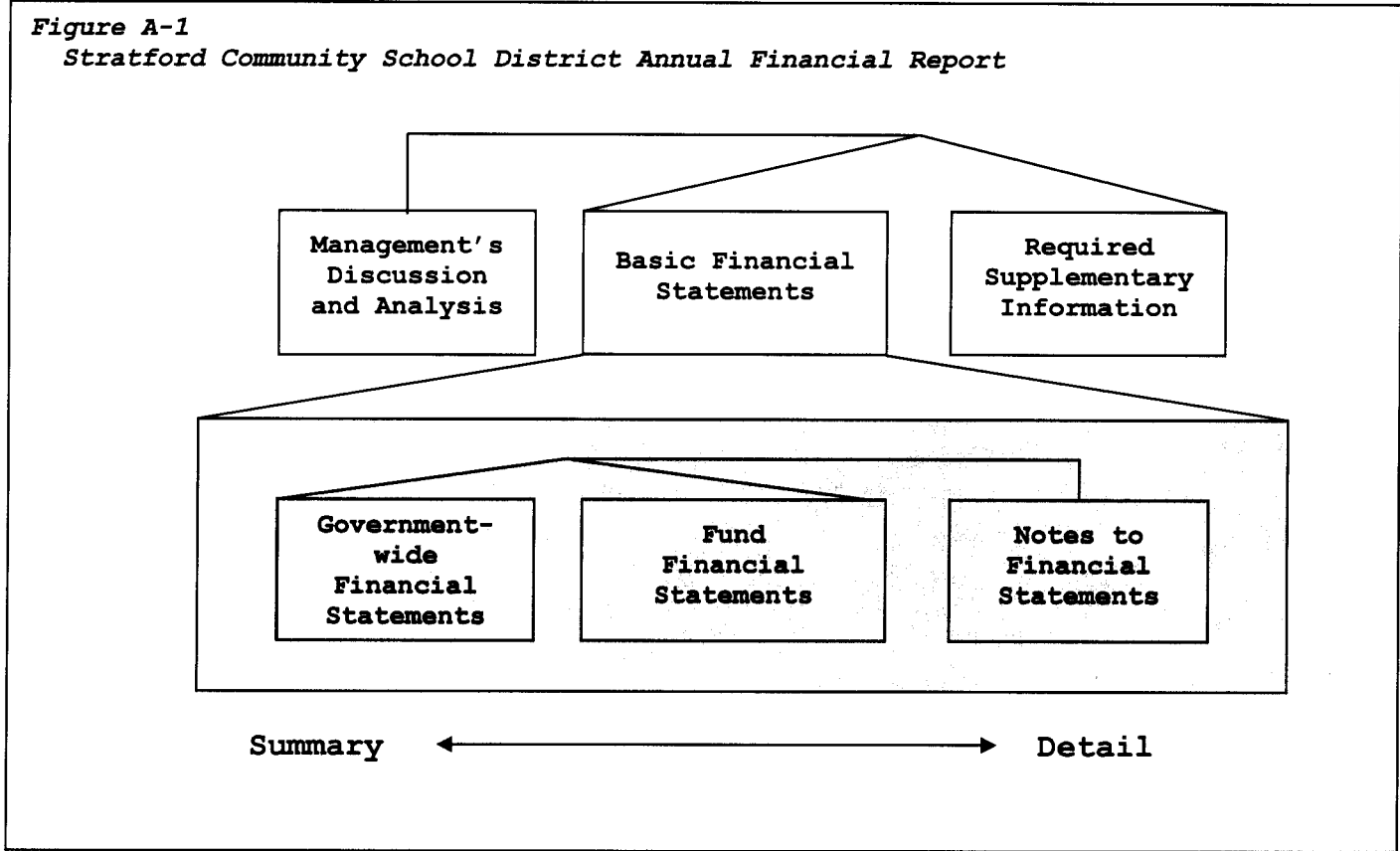


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of revenues, expenses and changes in fund net assets</li> <li>. Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Day Care Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, Changes in Net Assets and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 2,176	1,853	133	115	2,309	1,968	14.77%
Capital assets	<u>1,578</u>	<u>1,590</u>	<u>3</u>	<u>4</u>	<u>1,581</u>	<u>1,594</u>	-0.82%
<b>Total assets</b>	<u>3,754</u>	<u>3,443</u>	<u>136</u>	<u>119</u>	<u>3,890</u>	<u>3,562</u>	<u>8.43%</u>
Current liabilities	881	791	-	-	881	791	10.22%
Non-current liabilities	<u>915</u>	<u>1,040</u>	<u>-</u>	<u>-</u>	<u>915</u>	<u>1,040</u>	-13.66%
<b>Total liabilities</b>	<u>1,796</u>	<u>1,831</u>	<u>-</u>	<u>-</u>	<u>1,796</u>	<u>1,831</u>	-1.95%
Net Assets							
Invested in capital assets, net of related debt	664	550	3	4	667	554	16.94%
Restricted	496	332	-	-	496	332	33.06%
Unrestricted	<u>798</u>	<u>730</u>	<u>133</u>	<u>115</u>	<u>931</u>	<u>845</u>	<u>9.24%</u>
<b>Total net assets</b>	<u>\$ 1,958</u>	<u>1,612</u>	<u>136</u>	<u>119</u>	<u>2,094</u>	<u>1,731</u>	<u>17.34%</u>

The General Fund increased over \$80,000 during the year accounting for the increase in unrestricted funds. The Capital Projects and PPEL Funds also increased during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4								
Changes in Net Assets								
(Expressed in Thousands)								
Governmental Activities			Business type Activities		Total School District		Total Change	
2008	2007		2008	2007	2008	2007	2007-08	
Revenues:								
Program revenues:								
Charges for service and sales	\$ 112	126	58	58	170	184	-7.61%	
Operating grants, contributions and restricted interest	372	268	63	63	435	331	31.42%	
General revenues:								
Property tax	775	739	-	-	775	739	4.87%	
Income surtax	55	103	-	-	55	103	-46.60%	
Local option sales tax	140	127	-	-	140	127	10.24%	
Unrestricted state grants	940	892	-	-	940	892	5.38%	
Unrestricted investment earnings	15	22	-	-	15	22	-31.82%	
Other	(21)	7	-	-	(21)	7	-400.00%	
Total revenues	<u>2,388</u>	<u>2,284</u>	<u>121</u>	<u>121</u>	<u>2,509</u>	<u>2,405</u>	<u>4.32%</u>	
Program expenses:								
Governmental activities:								
Instruction	1,414	1,387	-	-	1,414	1,387	1.95%	
Support Services	503	494	-	-	503	494	1.82%	
Non-instructional programs	20	20	111	111	131	131	0.00%	
Other expenses	<u>181</u>	<u>258</u>	<u>-</u>	<u>-</u>	<u>181</u>	<u>258</u>	<u>-29.84%</u>	
Total expenses	<u>2,118</u>	<u>2,159</u>	<u>111</u>	<u>111</u>	<u>2,229</u>	<u>2,270</u>	<u>-1.81%</u>	
Change in net assets	\$ 270	125	10	10	280	135	107.41%	

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$2,387,322 and expenses were \$2,117,819.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ending June 30, 2008 compared to the year ending June 30, 2007.

<b>Figure A-5</b>						
<b>Total and Net Cost of Governmental Activities</b>						
<b>(Expressed in Thousands)</b>						
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 1,387	1,291	7.44%	1,090	1,046	4.21%
Support Services	494	467	5.78%	476	461	3.25%
Non-instructional programs	20	10	100.00%	20	10	100.00%
Other expenses	258	333	-22.52%	178	78	128.21%
Totals	<u>\$ 2,159</u>	<u>2,101</u>	<u>2.76%</u>	<u>1,764</u>	<u>1,595</u>	<u>10.60%</u>

- The cost financed by users of the District's programs was \$112,416.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$323,723.
- The net cost of governmental activities was financed with \$775,200 in property tax, \$940,380 in state foundation aid, and \$14,771 in interest income.

## Business Type Activities

Revenues of the District's business type activities were \$202,682 and expenses were \$188,721. The District's business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for services, federal and state reimbursements, private contributions and investment income.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Stratford Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,218,170, a twenty-four percent increase over last year's ending fund balances of \$978,609.

## Governmental Fund Highlights

- The District increased its General Fund balance by monitoring expenses from all portions of budget. Revenues increased from both local and state sources.
- The District continues to collect the School Infrastructure Local Option Sales Tax. It is being used for infrastructure projects and property tax relief.
- The District refinanced its outstanding bond issue to save on interest costs, allowing some property tax savings.

## Proprietary Fund Highlights

The School Nutrition Fund balance increased due a capital infusion from the General Fund. The Day Care Fund grew 13% due to contributions and grant activity.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

### Legal Budgetary Highlights

The District's receipts were almost \$100,000 more than budgeted receipts, a variance of 4%. The variance resulted from the District receiving more in state and local taxes than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested almost \$1.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$58,028.

The original cost of the District's capital assets was \$2,411,054. Governmental funds account for \$2,403,077, with the remainder of \$8,977 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 5	5	-	-	5	5	0.00%
Buildings	1,475	1,467	-	-	1,475	1,467	0.55%
Furniture and equipment	98	118	3	4	101	122	-17.21%
Totals	<u>\$ 1,578</u>	<u>1,590</u>	<u>3</u>	<u>4</u>	<u>1,581</u>	<u>1,594</u>	<u>-0.82%</u>

## Long-Term Debt

At June 30, 2008, the District had \$915,000 in general obligation, long-term debt outstanding. This represents a decrease of approximately 5% from last year (See Figure A-7). The District refinance its outstanding debt resulting in over \$9,000 in savings to the District. Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
Total		Total	
District		Change	
June 30,		June 30,	
2008	2007	2007-08	
General obligation bonds	\$ 915	965	-5.18%
Total	\$ 915	965	-5.18%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax is being collected from all counties. This money is being used for infrastructure projects and property tax relief.
- The District experienced a decrease of 16.1 resident students. Actual students served in the District decreased by 4.9 students due to the District being allowed to count its 4 year old students due to a state grant.
- Allowable growth of 4% (or less) is inadequate to fund existing programs without dipping into existing reserves.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sarah Binder, Superintendent, Stratford Community School District, 1000 Shakespeare Ave, Stratford, IA 50249.

## **Basic Financial Statements**

## STRATFORD COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,170,751	128,817	1,299,568
Receivables:			
Property tax			
Current year	14,192	-	14,192
Succeeding year	871,338	-	871,338
Income surtax	78,010	-	78,010
Due from other governments	40,583	-	40,583
Inventories	-	1,398	1,398
Capital assets, net of accumulated depreciation	1,578,487	3,140	1,581,627
<b>Total assets</b>	<u>3,753,361</u>	<u>133,355</u>	<u>3,886,716</u>
<b>Liabilities</b>			
Accounts payable	7,356	-	7,356
Accrued interest payable	2,378	-	2,378
Deferred revenue:			
Succeeding year property tax	871,338	-	871,338
Long term liabilities:			
Portion due within one year:			
General obligation bonds	90,000	-	90,000
Portion due after one year:			
General obligation bonds	825,000	-	825,000
<b>Total liabilities</b>	<u>1,796,072</u>	<u>-</u>	<u>1,796,072</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	663,487	3,140	666,627
Restricted for:			
Management fund	91,570		91,570
Physical plant and equipment levy	151,319	-	151,319
Capital projects	247,079	-	247,079
Debt service	5,744	-	5,744
Unrestricted	798,090	130,215	928,305
<b>Total net assets</b>	<u>\$ 1,957,289</u>	<u>133,355</u>	<u>2,090,644</u>

See notes to financial statements.



## STRATFORD COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2008

	Program Revenues			Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest			
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction	\$ 1,413,936	110,440	260,701	(1,042,795)	-	(1,042,795)
Support services:						
Student services	2,085	-	-	(2,085)	-	(2,085)
Instructional staff services	20,126	-	-	(20,126)	-	(20,126)
Administration services	179,298	-	-	(179,298)	-	(179,298)
Operation and maintenance of plant services	159,097	-	26,073	(133,024)	-	(133,024)
Transportation services	141,835	1,976	-	(139,859)	-	(139,859)
	502,441	1,976	26,073	(474,392)	-	(474,392)
Non-instructional programs	20,000	-	-	(20,000)	-	(20,000)
Other expenditures:						
Facilities acquisition	20,673	-	4,000	(16,673)	-	(16,673)
Interest on long-term debt	43,371	-	344	(43,027)	-	(43,027)
Long-term debt services	1,150	-	-	(1,150)	-	(1,150)
AEA flowthrough	80,743	-	80,743	-	-	-
Depreciation (unallocated)*	35,505	-	-	(35,505)	-	(35,505)
	181,442	-	85,087	(96,355)	-	(96,355)
Total governmental activities	2,117,819	112,416	371,861	(1,633,542)	-	(1,633,542)

STRATFORD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues				Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest				
Business type activities:							
Non-instructional programs	188,721	104,138	98,544	-	13,961	13,961	13,961
Total	\$ 2,306,540	216,554	470,405	(1,633,542)	13,961	(1,619,581)	
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 565,205	-	-	565,205
Management Fund				39,967	-	-	39,967
Capital outlay				48,270	-	-	48,270
Debt service				121,758	-	-	121,758
Income surtax				54,963	-	-	54,963
School Infrastructure Local Option Sales Tax				140,159	-	-	140,159
Unrestricted state grants				940,380	-	-	940,380
Unrestricted investment earnings				14,771	-	-	14,771
Costs of debt issuance				(23,241)	-	-	(23,241)
Other				813	-	-	813
Total general revenues				1,903,045	-	-	1,903,045
Change in net assets				269,503	13,961	13,961	283,464
Net assets beginning of year				1,687,786	119,394	119,394	1,807,180
Net assets end of year				\$ 1,957,289	133,355	133,355	2,090,644

\* This amount excludes the depreciation that is included in the direct expense of the various programs.  
See notes to financial statements.

## STRATFORD COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2008

		<b>Assets</b>								
		General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total		
Cash and pooled investments		\$ 704,000	5,054	90,835	150,440	216,859	3,563	1,170,751		
Receivables:										
Property tax:										
Current year		10,397	-	735	879	-	2,181	14,192		
Succeeding year		655,478	-	40,000	57,320	-	118,540	871,338		
Income surtax		78,010	-	-	-	-	-	78,010		
Due from other governments		10,363	-	-	-	30,220	-	40,583		
<b>Total assets</b>		<u>\$ 1,458,248</u>	<u>5,054</u>	<u>131,570</u>	<u>208,639</u>	<u>247,079</u>	<u>124,284</u>	<u>2,174,874</u>		
<b>Liabilities and Fund Balances</b>										
Liabilities:										
Accounts payable		\$ 7,356	-	-	-	-	-	7,356		
Deferred revenue:										
Succeeding year property tax		655,478	-	40,000	57,320	-	118,540	871,338		
Succeeding year income surtax		78,010	-	-	-	-	-	78,010		
Total liabilities		<u>740,844</u>	<u>-</u>	<u>40,000</u>	<u>57,320</u>	<u>-</u>	<u>118,540</u>	<u>956,704</u>		
Fund balances:										
Reserved for:										
Capital projects		-	-	-	-	247,079	-	247,079		
Debt service		-	-	-	-	-	5,744	5,744		
Unreserved		717,404	5,054	91,570	151,319	-	-	965,347		
Total fund balances		<u>717,404</u>	<u>5,054</u>	<u>91,570</u>	<u>151,319</u>	<u>247,079</u>	<u>5,744</u>	<u>1,218,170</u>		
<b>Total liabilities and fund balance</b>		<u>\$ 1,458,248</u>	<u>5,054</u>	<u>131,570</u>	<u>208,639</u>	<u>247,079</u>	<u>124,284</u>	<u>2,174,874</u>		

See notes to financial statements.

## STRATFORD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2008

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 1,218,170
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	78,010
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,578,487
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(2,378)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General obligation bonds	<u>(915,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 1,957,289</u></u>

See notes to financial statements.

## STRATFORD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2008

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 629,919	-	39,967	48,270	140,159	121,758	980,073
Tuition	106,675	-	-	-	-	-	106,675
Other	23,412	7,797	7,539	18,388	4,000	254	61,390
State sources	1,202,579	-	30	116	-	90	1,202,815
Federal sources	69,361	-	-	-	-	-	69,361
Total revenues	<u>2,031,946</u>	<u>7,797</u>	<u>47,536</u>	<u>66,774</u>	<u>144,159</u>	<u>122,102</u>	<u>2,420,314</u>
Expenditures:							
Instruction:	<u>1,407,594</u>	<u>8,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,416,576</u>
Support services:							
Student services	2,085	-	-	-	-	-	2,085
Instructional staff services	17,486	-	-	2,640	-	-	20,126
Administration services	179,298	-	-	-	-	-	179,298
Operation and maintenance of plant services	129,092	-	30,005	-	-	-	159,097
Transportation services	<u>115,543</u>	<u>-</u>	<u>4,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,060</u>
	<u>443,504</u>	<u>-</u>	<u>34,522</u>	<u>2,640</u>	<u>-</u>	<u>-</u>	<u>480,666</u>
Non-instructional programs:							
Food service operations	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>

STRATFORD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2008

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
Facilities acquisition and construction services	-	-	-	12,883	50,659	-	63,542
Principal on long-term debt	-	-	-	-	-	95,000	95,000
Interest on long-term debt	-	-	-	-	-	44,835	44,835
Long-term debt services	-	-	-	-	-	1,150	1,150
AEA flowthrough	80,743	-	-	-	-	-	80,743
	<u>80,743</u>	<u>-</u>	<u>-</u>	<u>12,883</u>	<u>50,659</u>	<u>140,985</u>	<u>285,270</u>
Total expenditures	<u>1,951,841</u>	<u>8,982</u>	<u>34,522</u>	<u>15,523</u>	<u>50,659</u>	<u>140,985</u>	<u>2,202,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>80,105</u>	<u>(1,185)</u>	<u>13,014</u>	<u>51,251</u>	<u>93,500</u>	<u>(18,883)</u>	<u>217,802</u>
Other financing sources (uses):							
Costs of debt issuance	-	-	-	-	-	(23,241)	(23,241)
Bonds defeased	-	-	-	-	-	(965,000)	(965,000)
Proceeds of debt refinancing	-	-	-	-	-	1,010,000	1,010,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,759</u>	<u>21,759</u>
Net change in fund balances	<u>80,105</u>	<u>(1,185)</u>	<u>13,014</u>	<u>51,251</u>	<u>93,500</u>	<u>2,876</u>	<u>239,561</u>
Fund balances beginning of year	<u>637,299</u>	<u>6,239</u>	<u>78,556</u>	<u>100,068</u>	<u>153,579</u>	<u>2,868</u>	<u>978,609</u>
Fund balances end of year	<u>\$ 717,404</u>	<u>5,054</u>	<u>91,570</u>	<u>151,319</u>	<u>247,079</u>	<u>5,744</u>	<u>1,218,170</u>

See notes to financial statements.

## STRATFORD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2008

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 239,561

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities (9,751)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 45,509	
Depreciation expense	<u>(57,280)</u>	(11,771)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(1,010,000)	
Repayments	<u>1,060,000</u>	50,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is reported as an expenditure in the funds when due. In the Statement of Activities, interest expense is recorded as the interest accrues, regardless of when it is due. 1,464

**Change in net assets of governmental activities (Exhibit B)** \$ 269,503

## STRATFORD COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets  
Proprietary Funds

June 30, 2008

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 8,460	120,357	128,817
Inventories	1,398	-	1,398
Capital assets, net of accumulated depreciation	<u>3,140</u>	<u>-</u>	<u>3,140</u>
<b>Total assets</b>	<u>12,998</u>	<u>120,357</u>	<u>133,355</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,140	-	3,140
Unrestricted	<u>9,858</u>	<u>120,357</u>	<u>130,215</u>
<b>Total net assets</b>	<u>\$ 12,998</u>	<u>120,357</u>	<u>133,355</u>

See notes to financial statements.



## STRATFORD COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2008

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 27,992	76,146	104,138
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	23,415	-	23,415
Benefits	9,615	-	9,615
Services	725	-	725
Supplies	38,643	-	38,643
Depreciation	748	-	748
	<u>73,146</u>	<u>-</u>	<u>73,146</u>
Other enterprise operations:			
Salaries	-	91,422	91,422
Benefits	-	13,904	13,904
Supplies	-	10,249	10,249
	<u>-</u>	<u>115,575</u>	<u>115,575</u>
Total operating expenses	<u>73,146</u>	<u>115,575</u>	<u>188,721</u>
Operating (loss)	<u>(45,154)</u>	<u>(39,429)</u>	<u>(84,583)</u>
Non-operating revenues:			
Local sources	100	53,000	53,100
Capital contributions	20,000	-	20,000
State sources	643	-	643
Federal sources	24,801	-	24,801
	<u>45,544</u>	<u>53,000</u>	<u>98,544</u>
Change in net assets	390	13,571	13,961
Net assets beginning of year	<u>12,608</u>	<u>106,786</u>	<u>119,394</u>
Net assets end of year	<u>\$ 12,998</u>	<u>120,357</u>	<u>133,355</u>

See notes to financial statements.

## STRATFORD COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2008

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 27,992	76,146	104,138
Cash payments to employees for services	(33,030)	(105,326)	(138,356)
Cash payments to suppliers for goods or services	(34,093)	(10,249)	(44,342)
Net cash provided by (used in) operating activities	(39,131)	(39,429)	(78,560)
Cash flows from non-capital financing activities:			
Contributions	-	48,000	48,000
State grants received	643	-	643
Federal grants received	18,786	-	18,786
Net cash provided by non-capital financing activities	19,429	48,000	67,429
Cash flows from capital financing activities:			
Capital contribution from General Fund	20,000	-	20,000
Cash flows from investing activities:			
Interest on investments	100	5,000	5,100
Net increase (decrease) in cash and cash equivalents	398	13,571	13,969
Cash and cash equivalents beginning of year	8,062	106,786	114,848
Cash and cash equivalents end of year	\$ 8,460	120,357	128,817
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>			
Operating (loss)	\$ (45,154)	(39,429)	(84,583)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:			
Depreciation	748	-	748
Commodities used	6,015	-	6,015
(Increase) in inventory	(740)	-	(740)
	\$ (39,131)	(39,429)	(78,560)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2008, the District received federal commodities valued at \$6,015.

See notes to financial statements.

# STRATFORD COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2008

### (1) Summary of Significant Accounting Policies

Stratford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Stratford, Iowa, and agricultural area in Boone, Hamilton, and Webster Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Grades seven through twelve attend the Webster City Community School District as part of a one-way sharing agreement.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Stratford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Stratford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hamilton County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Physical Plant and Equipment Levy is used for the acquisition of capital assets (over \$500) and the maintenance and purchase of land improvements and facilities.

The Capital Projects Fund is used to account for funds raised by the one cent School Infrastructure Local Option Sales Tax. These funds are being used for debt retirement and infrastructure expenses.

The District reports the following major proprietary funds:

The District's proprietary funds are the Day Care and School Nutrition Fund. These funds are used to account for the food service operations of the District as well as a daycare facility.

#### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due from Other Governments - Due from other governments represents amounts from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

## E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures did not exceed the amounts budgeted in any of the four functions.

### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 5,000	-	-	5,000
Capital assets being depreciated:				
Buildings	2,110,498	42,869	-	2,153,367
Furniture and Equipment	242,070	2,640	-	244,710
Total capital assets being depreciated	2,352,568	45,509	-	2,398,077
Less accumulated depreciation for:				
Buildings	643,140	35,127	-	678,267
Furniture and Equipment	124,170	22,153	-	146,323
Total accumulated depreciation	767,310	57,280	-	824,590
Total capital assets being depreciated, net	1,585,258	(11,771)	-	1,573,487
Governmental activities, capital assets, net	\$ 1,590,258	(11,771)	-	1,578,487

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 8,977	-	-	8,977
Less accumulated depreciation	5,089	748	-	5,837
Business type activities capital assets, net	<u>\$ 3,888</u>	<u>(748)</u>	<u>-</u>	<u>3,140</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

\$ 21,775

35,505

\$ 57,280

Business Type activities:

Food service operations

\$ 748

#### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$58,606, \$49,191, and \$45,697 respectively, equal to the required contributions for each year.

#### (5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$80,743 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### (6) Risk Management

Stratford Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**(7) Changes in Long-Term Debt**

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.60%	\$ 28,540	90,000	118,540
2010	4.70	26,335	95,000	121,335
2011	4.70	23,913	95,000	118,913
2012	4.80	21,300	100,000	121,300
2013	4.80	18,350	100,000	118,350
2014	4.80	15,250	105,000	120,250
2015	4.90	11,837	105,000	116,837
2016	4.90	8,215	110,000	118,215
2017	4.90	<u>4,255</u>	<u>115,000</u>	<u>119,255</u>
Total		<u>\$157,995</u>	<u>915,000</u>	<u>1,072,995</u>

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	<u>General Obligation Bonds</u>
Balance beginning of year	\$ 965,000
Additions	1,010,000
Reductions	<u>1,060,000</u>
Balance end of year	<u>\$ 915,000</u>

During the year ending June 30, 2008 the District refinanced its outstanding general obligation bonds. All outstanding debt was called on June 1, 2008 and retired. Total savings of \$9,213 are being realized as interest expense savings offset the additional debt principal issued and costs of issuance.

## **Required Supplementary Information**

**STRATFORD COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund  
Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types	Proprietary Fund Types	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 1,148,138	177,238	1,325,376	1,293,396	1,293,396	31,980
State sources	1,202,815	643	1,203,458	1,136,218	1,136,218	67,240
Federal sources	69,361	24,801	94,162	94,000	94,000	162
Total revenues	<u>2,420,314</u>	<u>202,682</u>	<u>2,622,996</u>	<u>2,523,614</u>	<u>2,523,614</u>	<u>99,382</u>
<b>Expenditures:</b>						
Instruction	1,416,576	-	1,416,576	2,032,264	2,032,264	615,688
Support services	480,666	-	480,666	833,140	833,140	352,474
Non-instructional programs	20,000	188,721	208,721	250,664	250,664	41,943
Other expenditures	285,270	-	285,270	478,341	478,341	193,071
Total expenditures	<u>2,202,512</u>	<u>188,721</u>	<u>2,391,233</u>	<u>3,594,409</u>	<u>3,594,409</u>	<u>1,203,176</u>
Excess (deficiency) of revenues over (under) expenditures	217,802	13,961	231,763	(1,070,795)	(1,070,795)	1,302,558
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	217,802	13,961	231,763	(1,070,795)	(1,070,795)	1,302,558
Balance beginning of year	978,609	119,394	1,098,003	1,079,042	1,079,042	18,961
Balance end of year	<u>\$ 1,196,411</u>	<u>133,355</u>	<u>1,329,766</u>	<u>8,247</u>	<u>8,247</u>	<u>1,321,519</u>

See accompanying independent auditor's report.

## **STRATFORD COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information

## STRATFORD COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Book Club	\$ 361	148	197	312
Annuals	2,108	330	300	2,138
Miscellaneous	561	6,187	6,614	134
Music	(20)	452	425	7
PO	97	-	-	97
Library	716	-	-	716
Extra activities	2,416	680	1,446	1,650
Totals	<u>\$ 6,239</u>	<u>7,797</u>	<u>8,982</u>	<u>5,054</u>

See accompanying independent auditor's report.

## STRATFORD COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2007	2006	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 980,073	937,818	936,353	843,902	826,900
Tuition	106,675	122,493	90,181	45,413	50,833
Other	61,390	58,544	244,763	66,143	35,060
State sources	1,202,815	1,074,155	1,071,636	964,485	804,756
Federal sources	69,361	59,728	70,315	49,073	52,880
Total	<u>\$ 2,420,314</u>	<u>2,252,738</u>	<u>2,413,248</u>	<u>1,969,016</u>	<u>1,770,429</u>
Expenditures:					
Instruction	\$ 1,416,576	1,387,086	1,291,538	1,204,437	1,004,085
Support services:					
Student	2,085	1,542	7,739	7,239	8,171
Instructional staff	20,126	11,363	9,074	13,239	10,871
Administration	179,298	172,388	160,063	147,002	185,224
Operation and maintenance of plant	159,097	150,189	160,882	146,667	126,804
Transportation	120,060	253,574	123,764	107,691	88,935
Non-instructional programs	20,000	20,000	10,000	20,875	2,205
Other expenditures:					
Facilities acquisition	63,542	98,578	252,857	174,086	19,481
Debt service:					
Principal	95,000	75,000	70,000	65,000	65,000
Interest and services	45,985	49,630	53,980	57,580	61,480
AEA flowthrough	80,743	75,959	73,288	65,464	61,314
Total	<u>\$ 2,202,512</u>	<u>2,295,309</u>	<u>2,213,185</u>	<u>2,009,280</u>	<u>1,633,570</u>

See accompanying independent auditor's report.

**BRUCE D. FRINK**  
Certified Public Accountant

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
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**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of the  
Stratford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stratford Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Stratford Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Stratford Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Stratford Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Stratford Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Stratford Community School District's financial statements that is more than inconsequential will not be prevented or detected by Stratford Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Stratford Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, 08-I-A, is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stratford Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Stratford Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Stratford Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Stratford Community School District and other parties to whom Stratford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Stratford Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 19, 2009

**STRATFORD COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2008

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

08-I-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize that with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will investigate alternative procedures which will improve our system of internal controls.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-II-B Certified Budget - Expenditures for the year ended June 30, 2008, did not exceed the certified budget amounts in any of the four functions.

08-II-C Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

08-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-II-E Business Transactions - No business transactions between the District and District officials or were noted.

STRATFORD COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued) :**

- 08-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 08-II-G      Board Minutes - No items requiring Board approval which had not been approved by the Board were noted.
- 08-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 08-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education and we noted no significant deficiencies in the amounts reported.
- 08-II-J      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.